

**How COVID-19 Has Adversely Affected the South Carolina Office of Resilience,  
Disaster Recovery Division's Efforts to Repair or Replace Homes Damaged in Hurricane Florence**

The South Carolina Office of Resilience (SCOR), Disaster Recovery Division's efforts to repair, replace, or rebuild the homes of South Carolinians damaged by Hurricane Florence in 2018 have been thwarted by rising construction costs related to COVID-19. SCOR's goal to help 500 families in the eight counties impacted by Hurricane Florence has been necessarily revised downward as a direct result of the cost increase of construction lumber and other building supplies; construction labor; transportation; and overhead and administrative costs due to delayed permitting and inspection services from city or county building departments.

Lumber prices reached a record high of \$1,686 per thousand board feet (MBF) in May of 2021, up 406% from a year prior,<sup>i</sup> just as SCOR was beginning construction of homes damaged in Hurricane Florence. In that same period, the cost of an average single-family home rose by \$36,000.<sup>ii</sup> In fact, the National Association of Home Builders estimated the average price of a new single-family home rose \$16,000 just from April 2020 to August 2020 due to the increase in softwood lumber prices.<sup>iii</sup> According to Robert Bardon, professor of forestry and environmental resources at North Carolina State University's College of Natural Resources, the lumber price increase is due to, among other factors, an increase in demand for home building brought on by the pandemic (COVID-19).<sup>iv</sup> Additionally, while the demand for lumber increased at the start of COVID-19, the lumber industry slowed production, resulting in reduced supply.<sup>v</sup> "This acute lumber demand is coming directly from the red-hot housing market, thanks to the disturbance of COVID-19."<sup>vi</sup>

Forced to work from home beginning in March 2020, homeowners performed home and home office upgrades or built larger homes.<sup>vii</sup> In an effort to stimulate the economy, the Federal Reserve decreased the federal funds rate to zero in March of 2020.<sup>viii</sup> Record low rates contributed to the increased housing demand, and as a result, raised lumber prices.<sup>ix</sup> Several rounds of stimulus payments have encouraged people to spend money on houses and save for down payments on new homes.<sup>x</sup> This, again, raised the demand, and price, for lumber and other building supplies. At the same time, "shift reductions and shutdowns at sawmills starting in March 2020 as a result of COVID-19 further aggravated inventories."<sup>xi</sup> The classic supply and demand paradigm was instigated by the rise of the pandemic.

Increasing cost of manufacturing and transportation put additional upward pressure on lumber prices.<sup>xii</sup> Labor shortages, due to COVID-19, increased labor costs and reduced trucking capacity, which increased lumber prices as well.<sup>xiii</sup> "According to the American Trucking Association, the current truck driver shortage will not likely be resolved anytime soon based on their prediction that the gap will continue to grow through 2026."<sup>xiv</sup> Additionally, the shortage of trucks and shipping containers during COVID-19 has drastically increased freight costs.<sup>xv</sup> But, it's not just the price of lumber increasing; "other costs such as steel and labor also increased during COVID-19."<sup>xvi</sup>

Direct costs such as lumber, building supplies, construction labor, and transportation have all increased since the inception of the pandemic. But indirect costs have also unavoidably increased as well. As most building departments dealt with the necessary restrictions resulting from COVID-19. Many city or county

offices closed or restricted services during the pandemic, which caused delays in permitting and inspections.<sup>xvii</sup> A National Association of Homebuilders survey found that 76 percent of respondents experienced inspection delays.<sup>xviii</sup> “Even projects that are allowed to move forward can face delays due to disruptions in material supply chains. The global nature of the pandemic means that materials sourced from other countries are nearly all delayed, and builders felt the impact of the virus before cases were widespread in the US.”<sup>xix</sup> Such delays cost additional time, management, and overhead and impact the cost to build or repair a home.

When SCOR began planning for the Hurricane Florence housing program, normal costs increases were researched, anticipated, and calculated. It was determined that the \$52M of construction money would repair, replace, or rebuild approximately 500 homes at an average per home cost of \$104,000, all in. Pricing for rehabs, MHU replacements, and stick-built reconstructions was determined while the world was still in the throes of the pandemic but may need to be increased even more. Pricing overall has increased 25% to 32%, which will reduce the number of homes completed from 500 to 400 or 380, respectively.

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<sup>i</sup> Andrew Moore (Marketing and Communications Manager), *Ask an Expert: Why is There a Lumber Shortage?* NC State University’s College of Natural Resources, May 19, 2021.

<sup>ii</sup> Andrew Moore, *Ask an Expert: Why is There a Lumber Shortage?*

<sup>iii</sup> Anne A. Riddle (Analyst in Natural Resources Policy), *COVID-19 and the U.S. Timber Industry*, Congressional Research Service report R466636, December 10, 2020.

<sup>iv</sup> Andrew Moore, *Ask an Expert: Why is There a Lumber Shortage?*

<sup>v</sup> Andrew Moore, *Ask an Expert: Why is There a Lumber Shortage?*

<sup>vi</sup> Xufang Zhang (Forest Economist) and Aaron Stottlemeyer (Forest Resource Analyst), *Lumber and Timber Price Trends Analysis During the COVID-19 Pandemic*, Texas A&M Forest Service, Forest Analytics Department, June 2021.

<sup>vii</sup> Xufang Zhang and Aaron Stottlemeyer, *Lumber and Timber Price Trends Analysis During the COVID-19 Pandemic*.

<sup>viii</sup> Xufang Zhang and Aaron Stottlemeyer, *Lumber and Timber Price Trends Analysis During the COVID-19 Pandemic*.

<sup>ix</sup> Xufang Zhang and Aaron Stottlemeyer, *Lumber and Timber Price Trends Analysis During the COVID-19 Pandemic*.

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<sup>xii</sup> Xufang Zhang and Aaron Stottlemeyer, *Lumber and Timber Price Trends Analysis During the COVID-19 Pandemic*.

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<sup>xv</sup> Xufang Zhang and Aaron Stottlemeyer, *Lumber and Timber Price Trends Analysis During the COVID-19 Pandemic*.

<sup>xvi</sup> Xufang Zhang and Aaron Stottlemeyer, *Lumber and Timber Price Trends Analysis During the COVID-19 Pandemic*.

<sup>xvii</sup> Whitney Airgood-Obrycki (Research Associate), *COVID-19 Will Delay Housing Construction, But for How Long?* Harvard University Center for Housing Studies, May 7, 2020.

<sup>xviii</sup> Whitney Airgood-Obrycki, *COVID-19 Will Delay Housing Construction, But for How Long?*

<sup>xix</sup> Whitney Airgood-Obrycki, *COVID-19 Will Delay Housing Construction, But for How Long?*